

Message Text

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ACTION EB-07

INFO OCT-01 AF-10 ARA-06 EUR-12 EA-07 NEA-10 IO-13
ISO-00 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01
INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
EPG-02 AID-05 SS-15 STR-04 ITC-01 TRSE-00 USIA-06
PRS-01 SP-02 OMB-01 FEA-01 /134 W
-----262038Z 061288 /72

P R 261630Z MAY 77 ZFF BRASILIA

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC PRIORITY 7950

INFO AMEMBASSY ANKARA

AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMCONSUL CAPETOWN

AMCONSUL DURBAN

USMISSION GENEVA

AMCONSUL JOHANNESBURG

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MAPUTO

AMEMBASSY NEW DELHI

AMEMBASSY OTTAWA

AMEMBASSY OSLO

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

AMEMBASSY SEOUL

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

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C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 7467

CAPE TOWN FOR EMBASSY

DEPT PASS TREASURY (FAC/SOMMERFIELD)

E.O. 11652: GDS

TAGS: ETRD

SUBJ: RHODESIAN CHROME: CERTIFICATION OF SOVIET FERROCHROME
SHIPMENTS TO EC AND U.S.

REFS: (A) STATE 117740 (NOTAL), (B) STATE 115995 (NOTAL),
(C) MOSCOW 6941 (NOTAL), (D) LUXEMBOURG 372 AND 356 (NOTAL)

SUMMARY: MANAGING DIRECTOR OF MINERALS EHRMANN CALLED AT EMBASSY
MAY 25 TO SEEK GUIDANCE ON CERTIFICATION PRODECURES FOR
SOVIET FERROCHROME SHIPMENTS TO EC. MINERALS CONCERNED
ABOUT PURCHASE CONTRACTS ALREADY SIGNED WITH SOVIETS FOR 1977.
WE INSTRUCTED HIM PERREFTEL (A) AND HE SUBSEQUENTLY RAISED
TIGHTENED CERTIFICATION REQUIREMENT WITH SOVIET FTO
PROMSYROIMPORT. HE REPORTED THAT SOVIETS, WHO PROFESSED TO
BE UNAWARE OF NEW PROCEDURE SINCE THEY HAD NOT BEEN
OFFICIALLY APPROACHED BY USG, SAW POLITICAL MOTIVATION BEHIND
CERTIFICATION REQUIREMENTS, SINCE THEY "DISCRIMINATED"
BETWEEN TREATMENT OF FERROCHROME AND CHROME ORE IMPORTS -- THE
LATTER, IN SOVIET EYES, BEING GIVEN LIGHTER TREATMENT
BECAUSE "U.S. HAS GREATER NEED FOR IT." EHRMANN EXPRESSED
VIEW THAT PROPOSED CERTIFICATION AGREEMENTS SINGLED OUT
SOVIETS FOR STERNER TREATMENT THAN OTHER MAJOR SUPPLIERS OF
FERROCHROME, AND WOULD THUS CREATE MORE PROBLEMS THAN IT
SOLVES. HE CLAIMED EC WOULD REJECT US CONDITIONS ONSOVIET
FERROCHROME. EMBASSY VIEWS ARE CONTAINED IN COMMENT. END SUMMARY.

1. ROGER EHRMANN, MANAGING DIRECTOR, SOCIETE ANONYME DES
MINERALS, MET TWICE ON MAY 25 WITH E/C COUNS AND COMATT TO
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SEEK GUIDANCE ON CERTIFICATION PROCEDURES FOR SHIPMENTS OF
SOVIET FERROCHORME TO EC COUNTRIES (AND U.S.) -- SEE
REFTELS (D) AND (A) -- AND TO REPORT ON HIS MEETINGS IN
MOSCOW. EHRMANN SHOWED US COPY OF TELEX MINERALS HAD RECEIVED
FROM SOVIET FTO PROMSYROIMPORT WITH TEXT OF CERTIFICATE OF
ORIGIN WHICH USSR CHAMBER OF COMMERCE WAS PREPARED TO PROVIDE
TO ASSIST FIRM IN MEETING U.S. AND EC CERTIFICATION REQUIREMENTS
ON IMPORTS OF SOVIET FERROCHROME (SEE LUXEMBOURG 372).

2. DRAWING ON GUIDANCE CONTAINED REFTTEL (A) -- PARAS 9, 10 AND 11,
E/C COUNS EXPLAINED THAT LANGUAGE OF USSR CHAMBER OF COMMERCE
CERTIFICATE OF ORGIN WOULD NOT SATISFY PROPOSED USG CERTIFICATION
REQUIREMENTS. EHRMANN WAS INFORMED THAT AN ADDITIONAL
STATEMENT BY SOVIETS CERTIFYING THAT "USSR IMPORTS NO CHROME
ORE OR FERROCHROME FROM ANY COUNTRY" WOULD ALSO BE NECESSARY
BEFORE SUCH SHIPMENTS (OR STEEL CONTAINING MORE THAN THREE
PERCENT SOVIET FERROCHROME) COULD BE CLEARED FOR ENTRY INTO
THE U.S. OR, BY EXTENSION OF CERTIFICATION PROCEDURE, INTO EC.

3. EHRMANN'S REACTION WAS THAT IF ADDITIONAL STATEMENT REGARDING NON-IMPORTS OF CHROME ORE OR FERROCHROME FROM OTHER COUNTRIES WAS NOT GOING TO BE REQUIRED OF OTHER MAJOR SUPPLIERS, THEN USG (AND EC, IF SAME RULES ARE ADOPTED) WOULD SEEM TO BE APPLYING ONE STANDARD AGAINST SHIPMENTS (IMPORTS) OF SOVIET FERROCHROME AND ANOTHER FOR MATERIAL FROM OTHER FOREIGN SOURCES. EHRMANN NOTED THAT SINCE SOVIET UNION IS SIGNATORY TO U.N. SANCTIONS AGAINST RHODESIA, IT COULD JUSTIFIABLY CLAIM DISCRIMINATION AND LACK OF GOOD FAITH IN OUR TREATMENT OF ITS FERROCHROME EXPORTS, WERE SUCH PROCEDURES ACTUALLY ADOPTED BY U.S. AND EC. HE STATED THAT USG WAS GOING "TOO FAR" IN DEMANDING THIS EXTRA CERTIFICATION FROM SOVIETS WHO ARE TRADITIONAL EXPORTERS OF CHROME ORE AND FERROCHROME. MOREOVER, HE PREDICTED SOVIETS WOULD NOT COMPLY. HE SAID HE HAD BEEN SURPRISED WITH SOVIET WILLINGNESS TO GO AS FAR AS THEY HAD IN AGREEING TO CERTIFICATE OF ORIGIN, IN FIRST PLACE.

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4. EHRMANN EXPLAINED THAT HIS SOLE CONCERN IN MATTER WAS TO PROTECT MINERALS' CONTRACTS ALREADY CONCLUDED WITH SOVIETS FOR PURCHASE OF 6,000 METRIC TONS OF FERROCHROME IN 1977 (WHICH, INCIDENTALLY, HE SAID REPRESENTED 20 PERCENT OF TOTAL SOVIET FERROCHROME EXPORTS TO WEST). MINERALS' LAWYERS HAD APPARENTLY CONCLUDED THAT THESE CONTRACTS COULD NOT BE CANCELLED SIMPLY BECAUSE CERTIFICATION DIFFICULTIES HAVE ARISEN WITH WESTERN GOVERNMENTS; THUS FIRM NOW FINDS ITSELF CAUGHT IN MIDDLE.

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AMEMBASSY VIENNA
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C O N F I D E N T I A L SECTION 2 OF 2 MOSCOW 7467

CAPE TOWN FOR EMBASSY

DEPT PASS TREASURY (FAC/SOMMERFIELD)

E.O. 11652: GDS

5. AFTER HIS FIRST MEETING WITH US, EHRMANN MET WITH OFFICIALS AT SOVIET FTO PROMSYR'OIMPORT AND ARAISED NEED NOT ONLY FOR CERTIFICATE OF ORIGIN THEY HAD AGREED TO SUPPLY, BUT ALSO FOR ADDITIONAL STATEMENT CERTIFYING THAT SOVIET UNION IMPORTS NO CHROME ORE OR FERROCHROME. ACCORDING TO EHRMANN, FTO OFFICIALS SAID THAT WHILE THEY UNDERSTOOD MOTIVES BEHIND U.S. ACTION THEY WERE PUZZLED BY PROPOSED PROCEDURES WHICH SEEMED INCONSISTENT PARTICULARLY IN WAY U.S. APPROACHED CERTIFICATION REQUIREMENT FOR FERROCHROME (WHICH HE SAID THEY SAID WE DID NOT RPT NOT NEED) AND CHROME ORE (WHICH HE SAID THEY SAID WE DID NEED). WITHOUT COMMITTING FTO ONE WAY OR ANOTHER, SINCE THEY PROFESSED TO BE UNAWARE OF NEW CERTIFICATION REQUIREMENTS -- NOT HAVING YET BEEN "OFFI-

CIALLY APPROACHED" BY USG, PROMSYR'OIMPORT OFFICIALS REPORTEDLY SAW POLITICAL MOTIVATION ON PART OF U.S. THEY ALSO WERE DESCRIBED BY EHRMANN AS BEING DISPLEASED OVER WHAT THEY SAW AS DISCIMINATION BETWEEN WAY PROPOSED NEW PROCEDURES WOULD INPINGS ON FERROCHROME SHIPMENTS FROM USSR AND SHIPMENTS FROM OTHER WORLD SUPPLIERS.

6. EHRMANN STATED THATHE HAD ARRANGED FOR SECOND MEETING AT PROMSYR'OIMPORT WITH CHAIRMAN AFASAS'YEV ON MAY 26 AND SAID HE WOULD CONTACT US AGAIN IF ANYTHING NEW DEVELOPED. OPENLY DISAPPOINTED, EHRMANN TOLD US THAT UNLESS HE COULD WORK OUT SOMETHING WITH AFANAS'YEV HE HAD NO CHOICE BUT TO PRESENT PROBLEM TO THE LUXEMBOURG GOVERNMENT FOR RESOLUTION THROUGH THE EC. HE PREDICTED THAT EC WOULD
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VIGOROUSLY RESIST ACCEPTING PROPOSED CERTIFICATION PROCEDURES.

7. COMMENT: EMBASSY QUESTIONS WHETHER U.S., A SINNER ONLY RECENTLY REPENTANT, SHOULD NOW SEEK TO IMPOSE ON OTHERS WHAT WILL SURELY APPEAR TO OUR ALLIES AND ADVERSARIES ALIKE TO BE A STERNER -- AND EVEN IN SOME WAYS INCONSISTENT -- CODE OF CONDUCT IN ATTEMPTING TO ENFORCE BAN ON SHIPMENTS OF CHROME ORE AND RELATED PRODUCTS FROM RHODESIA. IT SEEMS TO US LIKELY TO INTRODUCE A NEW, AND IN OUR VIEW UNNECESSARY, IRRITANT INTO US-SOVIET RELATIONS. ALTHOUGH WE CANNOT, OF COURSE, SPEAK FOR EFFECT WHICH THIS COULD HAVE ON US/EC RELATIONS IF US REFUSED TO ACCEPT EC STEEL CONTAINING SOVIET FERROCHROME, WE QUESTION WHETHER WEST EUROPEANS WILL NOT REGARD SOVIET CERTIFICATION A SUFFICIENT GUARANTEE AND US CONDITIONS AS EXCESSIVE OR EVEN DESIGNED WITH ULTERIOR MOTIVE. WE DO NOT BELIEVE SOVIETS WILL TRY TO EXPORT EITHER RHODESIAN CHROME ORE OR FERROCHROME MADE OF RHODESIAN ORE. WE HAVE SEEN NO EVIDENCE OF ANY SOVIET IMPORT OF SUCH ORE AND SEE NOT LOGIC IN IT. IF USG CONCERN IS THAT SOVIETS WILL NEVERTHELESS IMPORT RHODESIAN ORE OR ORE FROM THIRD COUNTRIES AS "SUBSTITUTE" TO COMPENSATE FOR DELIVERIES OF SOVIET ORE TO THE US OR THE EC, WE WOULD ASSUME THAT IT WOULD WANT TO APPLY SAME SPECIAL CERTIFICATION TO SOVIET CHROME ORE AS WELL. (IN THIS CASE, IN OUR JUDGMENT, SOVIETS WOULD BALK AND THE US WOULD HAVE TO DO WITHOUT SOVIET CHROME ORE.) IF "SUBSTITUTION" IS NOT THE USG CONCERN, WE BELIEVE SOVIET CERTIFICATION THAT ITS FERROCHROME EXPORTS ARE MADE FROM DOMESTIC ORES SHOULD BE SUFFICIENT. IT IS THIS SEEMING INCONSISTENCY THAT OTHERS MAY USE TO ARGUE, AS APPARENTLY THE SOVIETS DID WITH EHRMANN, THAT WE HAVE OTHER INTERESTS IN ASKING A HIGHER TEST FOR FERROCHROME THAN FOR CHROME ORE.

8. ALTHOUGH VIOLATIONS ARE OF COURSE POSSIBLE, WE DON NOT BELIEVE THAT ANY ECONOMIC ADVANTAGES SOVIETS

MIGHT CONCEIVABLY DERIVE FROM IMPORTING RHODESIAN ORE WOULD
WARRANT POLITICAL RISK OF THEIR BEING CAUGHT. WHILE THEY
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ARE CERTAINLY WELL CAPABLE OF SUCH DUPLICITY, THE POTENTIAL
GAIN (IF ANY) WOULD BE SMALL AND THE POTENTIAL RISK THEIR
AFRICAN POLICY WOULD BE SUBSTANTIAL. WHILE WE APPRECIATE
INTENT OF US POLICY IS TO CLOSE ALL POSSIBLE LOOPHOLES, WE
FIND PROSPECT OF SOVIET LOOPHOLE TO BE VERY SMALL AND HARD TO
PROVE.

9. FOR ABOVE REASONS, EMBASSY URGES THAT US AND EC AUTHORITIES
ACCEPT WITHOUT FURTHER EMBELLISHMENT SOVIET LANGUAGE IN
THEIR PROFFERED CERTIFICATE OF ORIGIN TO EFFECT THAT FERROCHROME
SHIPPED FROM SOVIET UNION HAS BEEN PRODUCED FROM CHROME ORE OF
USSR ORIGIN. TO DO OTHERWISE, IN OUR JUDGMENT, RISKS OPENING
ANOTHER AREA OF DISCORD AND MUTUAL RECRIMINATION WHICH OUR
RELATIONS SIMPLY DO NOT NEED AT THIS JUNCTURE.

10. ACTION REQUESTED: PLEASE PROVIDE INSTRUCTIONS AND
SUGGESTED LANGUAGE FOR EARLY EMBASSY APPROACH TO SOVIETS ON
THIS ISSUE.

11. FOR LUXEMBOURG: EHRMANN TOLD COMATT MAY 26 THAT HE WILL
CALL ON RILEY AT EMBASSY MORNING OF MAY 27 TO DISCUSS RESULTS
MOSCOW TRIP.
MATLOCK

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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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